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THE DIRECTOR OF CENTRAL INTELLIGENCE

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National Intelligence Council

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MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : Chairman, National Intelligence Council

FROM : Milton Kovner *MK*
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SUBJECT : Western Europe in 1983

Western Europe in 1983 will be subjected to discordant impulses and pressures that will test the resiliency of national governments as well as intra-European cohesion and trans-Atlantic ties. Agreement within the Alliance on the need to counter the Soviet military buildup will mask considerable divergence about the nature of the Soviet threat and the strategies to deal with it. Europe's progress toward economic and political unity will be stalled by the imperatives of economic self-interest and complications posed by Portuguese and Spanish requests for accession to the Community. Allied cohesion will be strained by membership in the Alliance of governments, such as Greece and Spain, uncertain in their commitment to collective security. And internal consensus, on both domestic and international issues, will be tested by elections in the FRG, and probably in the UK and elsewhere. Hence, securing common objectives, both in the European theater and beyond it, will pose an increasing challenge to us; and the Soviet Union will be quick to exploit and exacerbate differences in approach to detente and East-West relations.

INF and European Security

Although many Western European governments harbor hopes that tangible progress in negotiations will make INF deployment unnecessary, and some will seek to postpone final decisions in anticipation of achieving it, absent agreement in Geneva we believe basing countries will remain firm in their commitment to NATO's dual decision, and even those currently

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most equivocal about actual deployment — Belgium and the Netherlands — will ultimately agree to installation if the FRG, as seems likely under a Kohl government, adheres to deployment schedules. Certainly prior to the German elections, and probably well beyond it, the issue will remain fluid, with many of our allies hedging or shifting their positions in response to public pressures. While most Western governments prefer the zero option and will continue to hold it out as the ideal solution, many increasingly will argue that at least the appearance of US flexibility in Geneva will be tactically necessary to mitigate the political costs of deployment; and the US will be under growing pressure to consider "interim" solutions while preserving the zero option as a longer term objective. Should the Soviet Union add convincing substance to their INF proposals, pressures could increase in some quarters for delay in deployment lest installation of the missiles preclude chances of ultimate accommodation in Geneva.

Nevertheless, we believe the odds favor installation of the missiles and maintenance of a visible "coupling" between US and European defense — absent agreement in Geneva and barring political shifts in the FRG or Italy, for example, not to deploy. However, the issue of assuring Europe's defense will be the subject of intensive debate well beyond the "Year of the Missile," fueled by such questions as the proper mix of conventional vs. nuclear forces, the capacity and roles of the French and British deterrents, growing French-German defense cooperation, and Europe's willingness to make up for US forces targetted for out-of-area contingencies.

European Community

Forecasts are pessimistic about West Europe's economic prospects in 1983, with predictions of continued low growth and high unemployment feeding an already evident loss of confidence in Europe's ability quickly to reverse the trend. Pressures will increase within Europe for protectionist measures, and although a counter-move to eliminate internal trade barriers may take hold within the European Community, this may come at the expense of greater "vigilance" — promoted notably by France -- at the Community's external borders.

The EC's major challenges -- advancing beyond the customs union and a common agricultural policy, finding formulas for more equitable burden sharing, preparing for another enlargement, and preventing mutually damaging trade conflicts with its international partners -- will not be new, but will be even more difficult to meet in the anticipated climate of low economic growth. The possibility of elections during the year in Britain will put both London and its EC partners under the additional strain of weighing EC budget reform and each new proposal against the resurgent debate in the UK over Community membership and the possibility of boosting the prospects of the anti-EC Labor Party. France, meanwhile,

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will threaten national protectionism in the hope of selling more of it to the Community as a whole — and it is less than certain that either Germany or Britain, themselves under similar pressures, will resist very strongly or take the initiative to push instead for EC-wide structural adjustment. Despite pressures from Portugal and Spain to complete negotiations for their membership in the community, early progress is unlikely, hung up as it is over the fears of France, Italy, and others that they would largely be the ones to pay for the EC absorbing the output of the new members' heavily agricultural economies.

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France

Elections this spring in France will also mark a watershed, even though the results of the local contests will not change party representation in the Socialist-dominated parliament. Some falling-off of support for the Socialist-Communist coalition will be evident, and a large deterioration in the left's vote will encourage calls for a return to Socialist fundamentalism. We doubt, however, that Mitterrand will be deterred from pursuing relatively austere economic policies. While Mitterrand will prefer the Communists to remain in the government, we think there are limits to what he will be willing to pay to prevent them

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from leaving. Should they leave, we would expect government encouragement of a return to proportional representation -- which would eventually permit the development of a center-left coalition. We expect little change in French foreign policies, which will continue to emphasize national freedom of action to protect France's interests and magnify its leverage within the European Community and the Alliance. Despite initial misgivings with respect to both the substance and direction of the effort, France will cooperate in the series of studies designed to examine the links between East-West trade and Alliance security. The exercise will represent a delicate problem in Alliance management, however, since the need for coordination will have to be balanced against the demands of France and others to minimize the appearance of "direction" from NATO or other fora on East-West economic policies.

Italy

None of the three governments formed from the parliament elected in 1979 has been able to make much progress towards alleviating Italy's most pressing problems -- bringing prices and costs under control, reducing the very large budget deficit, or significantly improving Italy's fragile external payments position. Expectations of a government "crisis" that would force early elections -- the parliament would normally run until 1984 -- has made unpopular economic decisions even less likely; yet the edginess of politicians about facing new elections may in fact prolong the stalemate. It is impossible to forecast with any confidence that this situation will produce a definitive break with the practice of center or center-left governments in Italy and movement toward either the "left alternative" of collaboration between the Socialists and Communists or an arrangement between the Christian Democrats and the Communists. But an increasingly critical political atmosphere is likely in 1983, in which the PCI may more and more be seen as the key to effective decision-making. This will be especially true if elections do occur this year and fail to produce a significant increase in the 9.8% share the Socialists won in 1979. In the meantime, the PCI will eschew extreme positions either on foreign affairs; for example, the Communists will not take the lead in mounting all-out opposition to INF.

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Southern Europe

EC membership is the most important item on the foreign policy agenda of Spain's new Socialist government, which gives higher priority to gaining "European" credentials than to moving towards early military integration with NATO. While we think it unlikely, it cannot be excluded that Madrid may ultimately seek a French-style membership in the Alliance. Prime Minister Gonzalez' domestic power base is relatively secure for the moment, but he will need evidence of progress towards the popular goal of Community membership to offset divisiveness that could emerge at home as the government begins to deal with the difficult issues of a stagnant economy, persistent terrorism, the demands of Basque and Catalan nationalism, and educational reform. The desire to avoid domestic polarization will probably continue to incline the government away from any early redemption of the Socialists' campaign pledge to call a referendum on NATO membership.

While Madrid will try to keep separate the questions of Spanish relations to NATO and ratification of the US-Spanish bases agreement in order to get the latter approved in parliament, a new US agreement with Portugal extending and expanding our facilities there will be difficult -- but attainable -- because of political turbulence within the ruling center-right coalition that could lead to early elections. Portugal's Socialist Party led by Mario Soares is well positioned to return to government in a new election. The principal immediate effect of the political crisis will be to leave Portugal's mounting economic problems unresolved.

The Aegean will almost certainly remain an area of political confrontation between Greece and Turkey with the complex of unresolved issues and resultant tensions intermittently threatening overt hostilities. While each side will shrink from precipitating a crisis, domestic instabilities, more so in Athens than in Ankara, risk making each less flexible and less inclined to compromise. Public confidence in the Papandreou government will almost certainly wane as it fails to stem, let alone reverse, Greece's economic slide, and the government may seek new elections -- or foreign adventures -- to strengthen its mandate. Turkey's scheduled return to civilian rule toward year's end could make the military regime more rigorous in defending the country's perceived equities in the Aegean. Greek-Turkish frictions, however, will make Athens reluctant to sever its NATO or US connection. Greece will remain in the Alliance, although unresolved command and control arrangements in the Aegean will inhibit closer cooperation within the integrated command, and it will distance itself from Allied consensus on many issues of concern to us in its pursuit of a more independent foreign policy. US-Greek relations will become increasingly tense, particularly over the base negotiations

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